

Message Text

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44

ACTION NEA-10

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6547

INFO SECDEF ISA/SA

AMEMBASSY LONDON

CINCEUR

AMCONSUL DHAHRAN

CHUSMTM DHAHRAN

UNCLAS JIDDA 7917

E.O. 11652: N/A

TAGS: MILI, SA, UK

SUBJECT: REPORTED BRITISH MILITARY DEAL WITH SAG

1. THE ENGLISH LANGUAGE DAILY "SAUDI GAZETTE" LED ITS DEC 8 EDITION WITH A REPORT OF AN \$1.19 BILLION BAC CONTRACT WITH MODA. (FYI: THE "GAZETTE" IS THE MORE SENSATIONAL AND LESS RELIABLE OF JIDDA'S TWO ENGLISH LANGUAGE NEWSPAPERS. THE BYLINE IS BOB CREW, A LOCAL CORRESPONDENT.)

2. FOLLOWING ARE EXCERPTS FROM THE ARTICLE:

"NEXT WEEK, BRITISH AIRCRAFT CORPORATION'S CHIEF EXECUTIVE IN SAUDI ARABIA, MIKE BEAZLEY, WILL BE FLYING BACK TO THE KINGDOM FROM BRITAIN WITH, HE EXPECTS, A \$1,190 MILLION CONTRACT UNDER HIS BELT.

"VIRTUALLY ALL BAC'S TOP BRASS IN SAUDI ARABIA HAVE RETURNED TO BRITAIN WITH A VIEW TO TYING UP THIS DEAL, WHICH IS OPTIMISTICALLY REGARDED IN THE UK AS THE FIRST OF MANY NEW ORDERS TO COME FROM SAUDI ARABIA FOR NO LESS THAN \$5,100 MILLION OF BRITISH PRODUCTS, SERVICES AND KNOWHOW.

"SEVERE MEASURES: IT WILL BE A MUCH-NEEDED BOOST TO THE BRITISH GOVERNMENT, WHICH IS POISED ON AN ECONOMIC

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TIGHTROPE.

"ON THE ONE SIDE ARE SEVERE MEASURES OF DEFLATION, RANGING FROM \$2,000 MILLION TO \$4,000 MILLION, WHICH WOULD LEAD TO THE DEMORALISATION OF THE CABINET AND THE DESTRUCTION OF THE GOVERNMENT AT AN EARLY GENERAL ELECTION.

"ON THE OTHER SIDE IS A MINIMAL PACKAGE OF ECONOMIC CONSTRAINTS, WHICH MIGHT BE GRUDGINGLY ACCEPTED BY BRITAIN'S TRADING PARTNERS ABROAD, BUT WHICH WOULD NOT RESTORE CONFIDENCE IN THE ECONOMY AND WOULD LEAD TO A RENEWED SLIDE IN THE POUND.

"THE SAUDI ARABIAN DEAL WILL BENEFIT HUNDREDS OF BRITISH COMPANIES. THOUSANDS OF BRITISH TECHNICIANS AND INSTRUCTORS WILL COME TO SAUDI ARABIA, BEGINNING NEXT YEAR.

"BAC IS EXPECTED TO BRING 6,000 MORE TECHNICIANS TO SAUDI ARABIA AS A RESULT OF ITS NEW CONTRACT, TO ADD TO THE 2,000 EMPLOYEES IT ALREADY HAS IN THE KINGDOM AT RIYADH, DHAHRAN, JIDDA, KHAMIS MUSHAIT, TABUK AND TAIF.

" FURTHER ORDERS: THE BAC CONTRACT IS EXPECTED TO LAST FOUR YEARS, PICKING UP WHERE EXISTING AIR-SUPPORT CONTRACTS EXPIRE. REPRESENTING 700 OTHER BRITISH COMPANIES IN SAUDI ARABIA, WHO OPERATE UNDER BAC'S UMBRELLA, BAC IS INVOLVED IN THE OPERATION OF AIR ACADEMY AND TECHNICAL TRAINING INSTITUTES, BUILDING PROGRAMMES, MEDICAL SERVICES AND ARMS SUPPLY.

"BRITISH BUSINESSMEN ARE HOPING THAT FURTHER ORDERS FOR BAC AND ITS ASSOCIATE COMPANIES WILL BE AGREED UPON, LASTING FOR THE NEXT TWELVE YEARS AND RUNNING INTO MILLIONS OF DOLLARS.

"ORDERS IN THE PIPELINE ARE REPORTED TO INCLUDE WORK ON RADAR AND MILLILE NETWORKS, FACTORIES, LIVING ACCOMMODATIONS AND ROADS, AIRFIELD INSTALLATION. MAINTENANCE SERVICES ARE ALSO ON THE CARDS, AS ARE THE TRAINING AND EQUIPPING OF SAUDI ARABIA'S NATIONAL GUARD AND POLICE FORCE.

"BAC IS ALSO THOUGHT TO BE BIDDING FOR THE MINISTRY OF DEFENSE AND AVIATION'S HOSPITAL IN JEDDAH, CURRENTLY WITH WHITTAKER CORPORATION OF THE UNITED STATES, BUT COMING UP FOR RENEWAL NEXT YEAR.

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"THE TENTACLES OF BAC STRETCH FAR AND WIDE, AS IT BRANCHES OUT INTO BUILDING CONSTRUCTION AND OTHER ASSOCIATED MONEY-MAKING SERVICES FAR REMOVED FROM THE AIRCRAFT INDUSTRY.

"OTHER BRITISH COMPANIES INVOLVED IN AIR FORCE WORK IN SAUDI ARABIA INCLUDE HAWKER SIDDELEY, PLESSEY, LUCAS, LAING WIMPEY, CALHOUNE, BRITISH OXYGEN AND GEC.

"ALL THE 'MEN IN THE KNOW' IN SAUDI ARABIA HAD,

THEY EXPLAINED, GONE HOTFOOT TO THE UK FOR A BIG SALE
SUMMIT FROM WHICH, 'ONE WOULD HOPE,' THEY WOULD RETURN
TO GIVE THE GREEN LIGHT ON PREPARATORY WORK FOR THE
NEW ORDERS.

"BAC'S MANAGING DIRECTOR IN JIDDA SAID THAT SAUDI
ARABIA WAS CERTAINLY HIS COMPANY'S MOST IMPORTANT EXPORT
MARKET FOR YEARS TO COME.

"SQUADRON LEADER MIKE CROSS AT THE BRITISH EMBASSY
IN JIDDA SAID HE EXPECTED TO BE IN A POSITION TO COMMENT
IN A FEW MONTHS -- WHICH IS WHEN THE NEW BAC AND OTHER
CONTRACTS ARE SCHEDULED TO BE COMPLETED."

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